

2024  
Q1

# Broward Office

MARKET REPORT

## ABSORPTION & VACANCY

In the first quarter of 2024, net absorption of office space slowed, with a total of 76,399 square feet, a decrease of 99,870 square feet compared to the previous quarter. This reduction primarily stems from a shift in tenant preferences, as many opt for smaller office spaces to manage costs. Additionally, there has been significant demand for premium Central Business District office properties, specifically those rated 4 or 5 stars. This trend has noticeably influenced market dynamics, with decreased demand for lower rated properties.

As a consequence of these market shifts, the vacancy rates have increased, escalating from a five-year low of 7.6% to 9.9% in Q1. This rate still sits below the national average of 13.8%, suggesting that while the market has cooled, it remains relatively resilient compared to broader national trends.

This period of adjustment in the office market exhibits a general tenant preference for newer and higher-quality buildings, leaving older office properties exposed to possibly prolonged vacancies. In particular, properties in submarkets such as Fort Lauderdale, Plantation, and Pompano Beach are experiencing this trend. These areas hold over 40% of the existing 1 to 3 Star office inventory and about 50% of the available space within these lower-rated categories, making them particularly susceptible to the ongoing shifts in tenant preferences and the broader softening of the office market. This realignment of tenant demands underscores the need for property owners in these areas to enhance the attractiveness and competitiveness of their assets to withstand changing conditions

### KEY INDICATORS

Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	22,802,809	14.0%	\$44.76	22.0%	4,400	0	748,012
3 Star	30,823,586	10.1%	\$33.25	12.4%	(40,388)	0	24,000
1 & 2 Star	20,848,923	5.4%	\$31.25	6.5%	(26,543)	0	0
<b>Market</b>	<b>74,475,318</b>	<b>10.0%</b>	<b>\$36.30</b>	<b>13.8%</b>	<b>(62,531)</b>	<b>0</b>	<b>772,012</b>
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-0.1%	9.9%	10.5%	12.8%	2009 Q4	6.5%	2006 Q3
Net Absorption SF	358K	608,494	125,346	3,123,320	2005 Q1	(1,207,077)	2020 Q3
Deliveries SF	392K	869,114	333,795	3,047,188	2001 Q4	7,907	2013 Q3
Market Asking Rent Growth	4.2%	2.5%	1.1%	10.6%	2006 Q4	-8.4%	2009 Q3
Sales Volume	\$380M	\$657.5M	N/A	\$1.2B	2016 Q4	\$99.8M	2009 Q3

Graphs and data provided by CoStar Group

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## ASKING RENT PER SF

The Fort Lauderdale office market continues to demonstrate resilience, with rent growth exceeding national averages despite recent decrease in tenant demand. While the first quarter of 2024 saw a \$0.22 increase in asking rents, significantly higher than the U.S. average, this represents a deceleration from peak growth experienced in 2022.

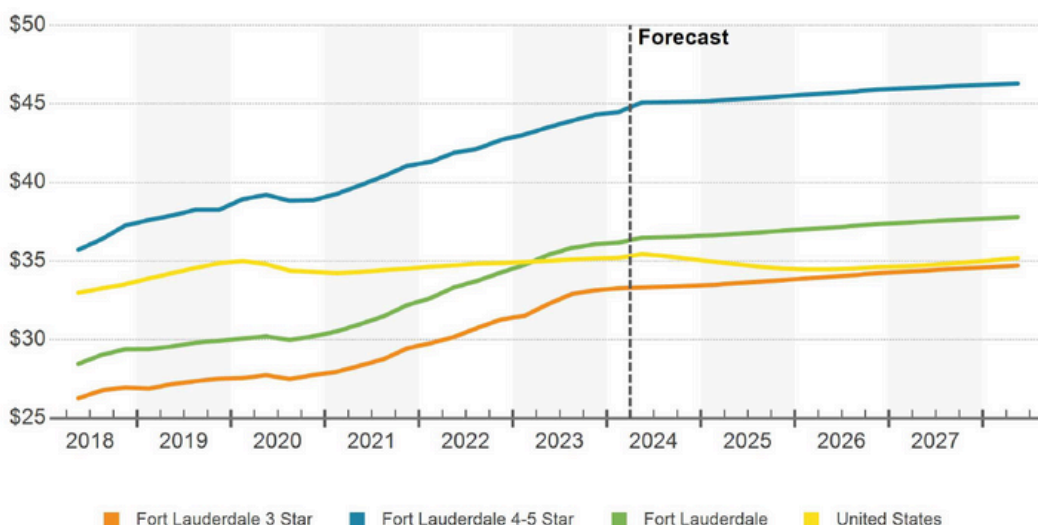
Previously, 3-star office buildings led rent growth, averaging annual gains of 5.1% through the first quarter of 2024. However, this has slowed from a peak of 6.8% in Q3 2022. Similarly, 4 & 5-star assets experienced a slowdown from a peak of 5.6% in Q4 2021 to a current annual increase of 3.2%. Despite this moderation, annual rent growth remains above the historical average across all star ratings.

It's important to consider South Florida's inflation rate, which has doubled the national average. This tempers real gains in rental rates when adjusted for inflation.

The limited supply of newer construction properties (post-2010) in South Florida, representing only 10% of total inventory, allowing these properties to command significantly higher rents. Asking rents for these buildings average 20% higher than the rest of the market, with developments like 1895 Tyler St. and the Atlantic Village Professional Center achieving asking rents in the \$44-\$55/SF NNN range. Luxury office towers like The Onyx Tower push this further, reaching rents exceeding \$60/SF FS. However, these rates are lower still than 4-5 star office towers in Miami-Dade and Palm Beach Counties. Conversely, older 4 & 5-star assets typically range from \$30-\$40/SF, with some well-located properties exceeding this range.

The limited supply of high I-quality office space will likely lead to lower vacancy rates for 4 & 5-star properties, compared to the national average. This trend is expected to support continued rent growth in this segment, with three-year forecasted rent growth in this sector expected to outperform the national average by approximately 1%.

MARKET ASKING RENT PER SQUARE FEET



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# TOP SALES

## MARKET REPORT



### City College

Address: 2000 W. Commercial Blvd., Fort Lauderdale  
Sale Price: \$18,500,000  
Price/SF: \$138.79  
Building Size: 133,295 SF



### Federal Tower

Address: 1600 S. Federal Hwy., Pompano Beach  
Sale Price: \$12,750,000  
Price/SF: \$185.56  
Building Size: 68,711SF



### Eden Sample

Address: 9600 W. Sample Rd., Coral Springs  
Sale Price: \$11,000,000  
Price/SF: \$244.44  
Building Size: 45,000 SF



### Chase Bank Building

Address: 1040 Weston Rd., Weston  
Sale Price: \$9,000,000  
Price/SF: \$353.19  
Building Size: 25,482 SF

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# TOP LEASES

## MARKET REPORT



### Lighthouse of Broward

- 5901 Del Lago Circle, Sunrise
- 34,262 SF
- New Lease



### Comcast

- 1200 SW 145th Ave., Pembroke Pines
- 28,890 SF
- New Lease



### Kaplan University

- 1515 W. Cypress Creek Rd., Fort Lauderdale
- 34,262 SF
- New Lease



*“Highly-amenitized, class A+ office buildings are winning the war for tenants. Other buildings must add amenities and upgrade to attract employers and employees, and keep up.”*

-Lloyd Berger, SIOR, President